

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Promote Policy
and Program Coordination and Integration in
Electric Utility Resource Planning.

Rulemaking 04-04-003
(Filed April 1, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING ON
WORKSHOP ADDRESSING RESOURCE ADEQUACY
REQUIREMENTS ISSUES – PHASE 2**

NOTICE IS HEREBY GIVEN that a workshop is scheduled for Tuesday November 16, 2004 at 9:30 a.m. in the Commission courtroom, 505 Van Ness Avenue, San Francisco, California.¹ The objective of this workshop is to develop a workplan for addressing the topics to be resolved in Phase 2 of the resource adequacy track of this rulemaking proceeding.

This ruling sets forth the agenda for the workshop, provides a preliminary list of topics to be resolved in Phase 2, and sets forth a preliminary schedule for Phase 2.

Background

Decision (D.) 04-10-035 (Phase 1 Decision) provided definition and clarification with respect to the policy framework for resource adequacy requirements (RAR) applicable to load-serving entities (LSEs) that the

¹ Notice of this workshop was provided by e-mail to the service list on October 27, 2004. In addition, notice has appeared on the Commission's Daily Calendar since October 28, 2004.

Commission adopted in D.04-01-050. The Commission recognized that much more remains to be accomplished in a short time to ensure that a functioning regulatory program for RAR can be implemented during 2005:

“Decisions on the topics described above have been necessary in order that the remainder of this process be launched down the right path. We recognize that while this interim opinion provides policy guidance, it does not create a complete package of resource adequacy requirement needed for LSEs to procure resources and submit compliance filings that demonstrate that they have satisfied our requirements.”

“Two forms of activities constitute ‘next steps’ that we now must take. The most immediate is a series of workshops that will constitute the centerpiece of Phase 2 of the resource adequacy track of this rulemaking. The primary objectives for Phase 2 will be (1) establishing for various Phase 1 policies adopted today the implementation details that each LSE needs in order to proceed to acquire resources; and (2) establishing the reporting requirements, review processes, and compliance tools that will shape how LSEs satisfy us that they have acquired these resources. We anticipate that a tangible work product will be the creation of a new general order applicable to LSEs that assembles our RAR regulations into a single source document.”

“We believe that completion of Phase 2 by mid-2005 is of critical importance, and commend to the Assigned Commissioner and ALJ the establishment of procedures, including workshops, and a schedule to accomplish this objective. This is an ambitious schedule for consideration of many complex technical issues, and we therefore provide that the Assigned Commissioner or Administrative Law Judge may narrow the scope of Phase 2 with respect to individual topics if it appears that resolution of the issues associated with a topic will unduly delay completion of Phase 2.”
(D.04-10-035, pp.44-45.)

Agenda for Initial Phase 2 Workshop

1. Confirm/Finalize List of Phase 2 Topics

Attached to this ruling is a preliminary list of the topics to be addressed in Phase 2, taken from Section 4.1 of D.04-10-035. The issue of allocating Department of Water Resources (DWR) contracts to all LSE's is also included. (See Section 7.2 of the June 15, 2004 Workshop Report.) The November 16 workshop will provide an opportunity for parties to propose necessary modifications to this list. I expect this discussion to include the relative priorities of the various topics.

In addition to simply developing a "laundry list" of topics, we will discuss ways to group them. For example, some topics may warrant parties' comments but not necessarily workshop time.

2. Develop Schedule of Workshops and Comments

As noted above, the Commission provided that a series of workshops will constitute the centerpiece of Phase 2. It appears that the most effective procedural model for Phase 2 will be that used in Phase 1, *i.e.*, development of a record based on workshops, a comprehensive workshop report, comments, and replies.

Since RAR compliance filings for 2006 will be due on September 30, 2005, it is clear that Phase 2 must be resolved on or about June 30, 2005.² In order to provide adequate time for parties' comments and preparation of a draft decision for issuance not later than May 31, 2005, it is apparent that workshops must be completed by mid-February. The following

² A Commission meeting is scheduled for June 30, 2005. D.04-10-035 provided that in the event that the Phase 2 decision is not issued by June 30, the September 30 compliance filing date will be adjusted accordingly.

preliminary schedule and a more detailed schedule for workshops will be taken up at the November 16 workshop.

**Preliminary Schedule – Phase 2 of Resource
Adequacy Requirements**

Event	Date
Workshops	11/16/04 – 2/11/05
Workshop Report	3/11/05
Comments	3/23/05
Replies to Comments	4/06/05
Draft Decision	5/31/05
Final Decision	6/30/05

3. Work Assignments

The technical nature of the topics to be addressed in Phase 2 requires that the parties' have in attendance their personnel/consultants with knowledge of the subject matter. As was done in Phase 1, I expect to rely upon the expertise of the parties by having their experts assume responsibility for the development of "strawperson" proposals for the various topics. The making of such assignments will be taken up at the workshop.

IT IS RULED that the agenda for the November 16, 2004 workshop is as set forth above.

Dated November 4, 2004, at San Francisco, California.

/s/ Mark S. Wetzell

Mark S. Wetzell
Administrative Law Judge

Attachment A
Resource Adequacy Requirements - Phase 2 Topics

Implementation Mechanics:

- Coincidence and EE/DR impact allocation adjustment methods for each LSE's load forecasts.
- An hourly loss methodology that incorporates distribution and transmission losses and unaccounted energy.
- Procedures for quantifying the hourly impacts of committed energy efficiency and demand response tariffs and programs.
- Methods for determining qualifying capacity of wind and solar without gas backup generators using a monthly, historic performance during the SO 1 on-peak period, methodology.
- Methods for estimating COD dates for generators of all sizes based upon appropriate modifications to existing CEC and CAISO tracking systems.
- Completion of a functional deliverability screening methodology based upon the proposals of the CAISO documented in the workshop report, and its Appendix B, and the specific decisions earlier in this decision. Local resource adequacy requirements, including identification of load pockets, generator performance in load pockets, transmission import capabilities, and various adjustments to the current LARS process that results in RMR contracts,
- Development of (1) standard contract language that will require a generator, if not scheduled by the LSE to serve its own load, to bid into the CAISO integrated Day-Ahead market, and if not accepted there to be subject to the residual unit commitment process (RUC), and (2) a reasonable understanding of the probability that a generator not scheduled by the LSE will actually be selected to operate in the RUC process.
- Alternative forms of contracts for capacity that can substitute for those with liquidated damage provisions and thus satisfy resource adequacy requirements.

Reporting, Reviewing, and Sanctions:

- Load forecasting filing requirements, including provision of historic load data, adjustment for coincidence, adjustment for energy efficiency and demand response activities, and appropriate documentation.
- Resource tabulations showing how load forecasts and planning reserve requirements are satisfied for the hours of each month with loads 90% or greater than peak of the month, tabulations of the qualifying capacity of each resource under contract or the control of the LSE that is deliverable to load for each of these hours, and appropriate documentation.
- A review process that assures that each LSE's load forecasts was prepared properly, that resources identified as satisfying each LSE's load and reserve requirements are eligible and deliverable, processes for providing feedback to LSEs and opportunities to correct errors and mistakes, and an overall assessment that the collective loads and resources submitted by all LSEs comport with aggregate summer assessments prepared by the CEC and CAISO.
- A system of penalties and sanctions that would motivate LSEs to provide accurate load forecasts and sufficient levels of deliverable resources.
- The specific compliance reporting requirements, review process, and penalties for the Month-Ahead forward commitment obligations, as well as any changes in load forecasting protocols and resource counting conventions appropriate for the short lead time of this requirement.

Other Topics:

- Whether any portion of the capacity value of the DWR contracts should be allocated to non-utility LSEs, and whether QF contracts and utility retained generation should similarly be allocated to non-utility LSEs. (See Section 7.2 of the June 15, 2004 Workshop Report.)

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling on Workshop Addressing Resource Adequacy Requirements Issues – Phase 2 on all parties of record in this proceeding or their attorneys of record.

Dated November 4, 2004, at San Francisco, California.

/s/ Antonina V. Swansen
Antonina V. Swansen

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, *e.g.*, sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.